

## Message Text

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17

ORIGIN PM-04

INFO OCT-01 EA-07 ISO-00 NSC-05 SP-02 SS-15 L-03 CIAE-00

INR-07 NSAE-00 AID-05 IGA-01 OMB-01 ACDA-05 /056 R

DRAFTED BY DOD/ISA:CDR. MOORE:PM/SAS:RMARRYOTT:RF

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DOD/ISA - MR. ABRAMOWITZ

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DOD - ADM. CARR D-MR.DEUMLING

NSC - COL. MCDONALD

DOD/OGC - MR. SILBER

P - MS WALTERS

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P 230204Z OCT 75

FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

INFO AMEMBASSY TAIPEI PRIORITY

AMEMBASSY JAKARTA

CINCPAC PRIORITY

CNO PRIORITY

DSA PRIORITY

CHUSDLG JAKARTA PRIORITY

S E C R E T STATE 251989

E.O. 11652:GDS

TAGS: MASS, RP

SUBJECT: TWO DES LOCATED IN JAPAN

REFS: (A) STATE 200194 (B) TAIPEI 6473

(C) MANILA 14607 (D) CMDAO TOKYO 190814Z SEP 75

(E) MANILA 10316 (F) MANILA 13351

(G) STATE 225252 (H) MANILA 12803

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JOINT STATE/DEFENSE MESSAGE

FOR AMBASSADOR FROM CLEMENTS

1. REGRET DIFFICULTY RESULTING FROM MISINTERPRETATIONS OF REF A WHICH WAS NOT MEANT TO IMPLY THAT JAPANESE ASSETS WOULD BE FROZEN PENDING SATISFACTION OF GOP DESIRES OR THAT ANY OF THOSE ASSETS WERE APPROVED FOR OFFER TO GOP.

2. WE HAVE BEEN ADVISED BY COUNSEL THAT CANCELLING THE SALE TO THE CHINESE FIRM MUST BE DONE ONLY FOR COGENT AND COMPELLING REASONS (E.G. AN IMMEDIATE MATERIEL REQUIREMENT BY THE ARMED FORCES OF THE U.S.). WE BELIEVE WE HAVE A LEGAL AND MORAL OBLIGATION TO AWARD THE PROPERTY TO THE HIGHEST BIDDER SUBJECT TO SATISFACTORY ANTITRUST AND

INTEGRITY/RELIABILITY CHECKS. IN SHORT, CANCELLATION OF THE SALE COULD SUBJECT THE USG TO LIABILITY FOR DAMAGES IN EXCESS OF REFUNDING THE CONTRACT PRICE OR ANY SUCH PORTION OF THE CONTRACT PRICE AS THE USG MAY HAVE RECEIVED. REFERENCE B HIGHLIGHTED LIKELIHOOD OF POSSIBLE CLAIM BY ROC FIRM.

3. ON THE SUBJECT OF SUBSTITUTING SOME OF THE LSTS IN JAPAN FOR THE TWO DES PER REFERENCE C, THERE IS NO APPARENT AUTHORITY TO EXCHANGE ASSETS ONCE AN ADVERTISED, COMPETITIVE SALE IS CONSUMMATED. THIS SUBSTITUTION ACTION, EVEN IF IT COULD BE NEGOTIATED WITH THE TAIWAN FIRM, COULD POSSIBLY RAISE SEVERE PROBLEMS WITH OTHER PREVIOUS BIDDERS (ROK AND GOJ). IN SHORT, WHILE A SUBSTITUTION APPEARS A SIMPLE SOLUTION, COUNSEL ADVISES THAT THIS COULD CAUSE A MULTITUDE OF PROBLEMS. FURTHERMORE, WE HAVE NO GUARANTEE THAT TAIWAN FIRM WILL AGREE TO A SUBSTITUTION AND STILL NOT SUBJECT USG TO LITIGATION FOR NON-COMPLIANCE WITH THE ORIGINAL INVITATION FOR BIDS ON THE DES.

4. REFERENCE D REPORTS STRIPPING AND GENERAL STATUS OF THE TWO DES. HOWEVER, A USN INSPECTION REPORT (JANUARY 1974) OF THE SHIPS PRIOR TO THEIR LOAN TERMINATION INDICATED SERIOUS DEFICIENCIES IN HULL, ENGINE AND ELECTRICAL SYSTEMS. BECAUSE OF AGE, (32 YEARS), POOR  
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CONDITION, AND LACK OF LOGISTIC SUPPORT, THESE VESSELS ARE NOT CONSIDERED BLUE CHIPS FOR ANY PURPOSES. FURTHERMORE, THESE DES WOULD REQUIRE GOP TO PAY TRANSPORTATION COSTS OF APPROXIMATELY \$120,000. OVERHAUL OF THE DES INCLUDING REMILITARIZING IS ESTIMATED TO COST \$2-4 MILLION EACH.

5. CONSIDERING THE ABOVE, WE ARE PROCEEDING WITH THE DE

SALE TO THE CHINESE FIRM. UPON RECEIPT OF FORMAL NON-ACCEPTANCE BY THE GOI (AND WE HAVE BEEN INFORMED THAT THE GOI WILL TURN DOWN ALL VESSELS OFFERED REFTEL A) WE WILL BE PREPARED TO OFFER TO THE GOP, IN LIEU OF THE JAPANESE DES, FOUR WHECS, PC1171, AND PGM 83 AT SUBIC IN ADDITION TO VESSELS OFFERED REFTEL A. WE BELIEVE THIS LATEST OFFER WILL MORE THAN OFFSET THE LOSS OF THE TWO DES SINCE AS STATED REFTEL E THE GOP HAS ASKED FOR THESE VESSELS, HAS A RECOGNIZED REQUIREMENT FOR THEM, AND HAS THE CAPACITY FOR CARRYING OUT REHABILITATION. THESE ADDITIONAL WHECS WOULD BE OFFERED UNDER FMS PROCEDURES AT PRICE OF \$115,000 EACH. THE PGM AND PC WOULD BE OFFERED UNDER MAP REDISTRIBUTABLE PROCEDURES AT NO COST. FYI. THE SALE PRICE OF THE DES TO ROC FIRM WAS \$105,000 EACH. END FYI. WE SEE THIS AS NOT ONLY A VIABLE SOLUTION TO PROBLEM, BUT AS GREATER BARGAINING CHIP IN OUR BASE NEGOTIATIONS THAN WOULD BE THE SALE OF THE TWO JAPANESE DES.

6. FOR USDLG: REQUEST PROVIDE AS SOON AS POSSIBLE OFFICIAL CONFIRMATION THAT GOI DOES NOT DESIRE THE WHECS, PC AND PGM DISCUSSED PARAGRAPH 5 OF THIS MESSAGE. INGERSOLL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NAVAL SHIPS, SURPLUS MILITARY EQUIPMENT SALES, MILITARY ASSISTANCE PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 OCT 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Subject:** TWO DES LOCATED IN JAPAN  
**TAGS:** MASS, RP  
**To:** MANILA  
**Type:** TE  
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